Assume that two countries, A and B, possess no commercial intercourse whatever with each other.

1. A exports its native goods to C, and C is accordingly a debtor to A.

2. C exports its own products to B, and becomes, in consequence, a creditor of B.

3. If trade existed direct between A and B, C would draw a bill upon B (B accepting it), and C would then forward the bill to A in settlement of A's claim upon C.   A, in its turn, would dispatch the bill to B in payment of any imports it had received from B.   The latter, having thus obtained its original bill back, would cancel it, and thus the triple account would be discharged in this ready mode.

4. But this course is impossible, since, bjʳ supposition, A and B are not in trading communication.

5. In this difficulty England (E), as the world's metropolis in commercial exchanges, enters upon the scene—E, in its universal transactions, dealing with A, B, and C.

6. E has purchased goods from B, and is thus B's debtor. B draws a bill (or order to pay) upon E for the amount, which E accepts.

7. B transmits this bill to C, and thus cancels its indebtedness to the latter (No. 2 above).

8. The same bill is then passed from C to A, and satisfies A's claim upon C (No. 1 above).

9. Now, A has bought commodities from E, and thus has rendered E its creditor.

10. A, accordingly, dispatches the bill to E in extinction of E's charge. E, who originally accepted the bill, thus receives it back, and destroys it. In this easy and uninterrupted mode, the entire round of indebtedness has been annulled by successive liquidation with the one bill notwithstanding the fact that A and B have no direct relations with each other.   It is scarcely necessary to add that the goods imported and exported, and the several debts thus created, are, in this illustration, regarded as being of equal value.

11. The process can be graphically exhibited, and in all complicated problems of exchange a picture-presentation is most serviceable.   From E to A draw an arrow, the arrow-head pointing to A ; from B to E, an arrow with the head pointing to E ; similarly, an arrow from C to B with the head turned towards the latter; and one from A to C with the head towards C.   These arrows indicate the route of the goods from feather to head ;   and the reverse course shows   the direction of   the respective indebtedness.

NOTE D.

These foreign bill dealers, after their meetings in the Royal Exchange, publish a list of the rates then settled at which foreign bills can be purchased, termed the "Course of Exchange." In the two columns of this Course are specified the number of foreign coins which £1 will buy in the several countries mentioned; in the first column, the prices relate to Bank-bills, while the prices in the second column apply to Trade-bills.